

## GPRA - STRATEGIC HUMAN CAPITAL

**Goal:** Achieve accountability for organizational performance results and support for the PMA by linking the employee performance management plans/contracts to NIH's program and management priorities.

*"We must have a Government that thinks differently, so we need to recruit talented and imaginative people to public service. We can do this by reforming the civil service with a few simple measures. We'll establish a meaningful system to measure performance. Create awards for employees who surpass expectations. Tie pay increases to results. With a system of rewards and accountability, we can promote a culture of achievement throughout the Federal Government."*

*George W. Bush*

In February 2001, GAO added human capital management to the government-wide "high-risk list" of federal activities. Inspector Generals at nine major federal agencies have listed workforce problems among the top 10 most serious management challenges that their agencies face.

The first major government-wide initiative under the President's Management Agenda (PMA) is the Strategic Management of Human Capital. The underlying goals of this initiative are:

- Workforce analysis must focus on planning for retirements and resulting skill imbalances
- Reduce layers between civil servants and citizens we serve
- Link budget to individual performance
- Enable government to attract, recruit, retain, develop, and reward good talent and high performers.

The Department of Health and Human Services (DHHS) outlined a program in support of the PMA by delineating in the "One HHS Management and Program Objectives". One of DHHS's management objectives is to "Improve the strategic management of human capital.

The means to accomplish this objective include (underline used by HHS):

- Conduct ongoing workforce planning to assess the skills we need to accomplish the Department's mission now and in the future

- Attract, hire, and retain exceptional individuals in critical occupations throughout HHS
- Hold employees accountable for achieving measurable results through performance contracts linked to the Department's program and management priorities.
- Encourage managers to demonstrate appreciation by recognizing performance that exceeds expectations.
- Provide better access to learning opportunities for all HHS employees so they can enhance their critical competencies.
- Design effective succession planning and career development programs to build the next generation of HHS leaders.

The NIH is fully supportive of the PMA and DHHS's "One HHS" Management objectives as reflected in the following strategic human capital goal(s).

As required by law, every Federal employee must have a performance plan or contract that clearly outlines responsibilities and duties on which he/she will be evaluated on an annual basis. These responsibilities and duties should be directly linked to the position, that in turn, supports work necessary to the immediate organization. The results of an employee's performance evaluation can influence the granting of awards for excellence, with-in-grades, performance improvement actions, etc.

The current performance management system has been criticized by many as ineffectual for a variety of reasons, some of which are the lack of measurable results and the absence of clear links to organizational mission. To remedy this, the goals outlined in the PMA mandate that human capital strategies will be linked to organizational mission, vision, core values, goals, and objectives.

The initial step taken by DHHS to address this issue was to introduce a new format to the SES performance contracts that enabled employees to identify outputs and outcomes in program areas and identify how each would support the PMA. The intent is to use clear and carefully aligned performance standards and elements for individual employees and leadership. The expectation is that organizations will meet or exceed established productivity and performance goals that could be the basis for performance awards.

HHS undertook the establishment of the new SES performance contracts that eventually would “cascade” through the organization, and charged OPDIVS with implementing this system. Although initially it was to apply only to SES members and OPDIV Heads, NIH expanded this to include all two-grade interval professional supervisors and managers. We are now in the process of “cascading” the new performance contract format/methodology throughout the organization.

Performance Targets	FY 2002	FY 2003	FY 2004
Incorporate support for PMA and measurable outputs and outcomes in SES performance contracts	x		
Incorporate outputs and outcome methodology in managers and supervisors’ performance plans		x	

**Goal:** Identify and develop potential successors for critical leadership positions by (1) developing and implementing a NIH-wide succession planning process that assesses the gaps between senior leadership needs and talent available; (2) identifying leadership competencies that will be critical to the mission of NIH now and into the future; and (3) providing developmental opportunities that will prepare our talent to meet the demands required of senior leadership positions.

*Much of the downsizing was set in motion without sufficient planning for its effects on agencies' performance capacity. Across government, federal employers reduced or froze their hiring efforts for extended periods of time. This helped reduce their number of employees, but it also*

*reduced the influx of people with new knowledge, new energy, and new ideas - the reservoir of future agency leaders and managers.*  
(GAO Report 01-263, 2000)

The Comptroller of the General Accounting Office (GAO) has stated that there is a human capital crisis in the Federal Government due to the potential wave of retirements from the baby boom generation. The entire Federal government faces an impending wave of retirements of long-service, highly competent Federal employees. From this arises a large-scale strategic human resource planning issue. Numerous GAO documents have been published about the "Human Capital Crisis" indicating the need to conduct workforce planning and succession planning as a means to ensure the right skills and competencies exist as well as ensure knowledge management. The Office of Personnel Management recently identified *Human Capital Standards for Success*, which include an assessment of how well departments are ensuring continuity of leadership through succession planning and executive development.

At NIH, succession planning will be crucial if we are to maintain adequate institutional knowledge and effectively carry out our mission during periods of high workforce turnover. For example, we know that the average SES employee at NIH today is 60 years old with 25 years of service. Of these, 73.3 will be eligible to retire by the end of 2005. While the exodus of talent will not happen overnight, NIH must plan now to maintain required levels of experience, competencies, and knowledge levels at all levels.

The consolidation/streamlining and competitive sourcing activities, coupled with the potential number of retirements at NIH, makes succession planning extremely critical to ensure the recruitment, retention, and training of employees for a seamless succession of leadership. Voluntary Early Retirement Authority was recently given to NIH for the human resources function and subsequently to those functional areas potentially affected by the competitive sourcing studies. In total, approximately 3,300 employees at all levels have been identified as potentially being affected. Together with normal attrition and retirements, the exodus of potential skills, competencies, and knowledge would be devastating without a plan for remedy.

A major management challenge will be to ensure that we have experienced employees in key positions. Adequate funding and careful planning will be critical to our success in meeting this challenge, allowing NIH to balance the need to meet our present workload demands with the need to build and train our workforce of the future.

<b>Performance Targets</b>	<b>FY 2003</b>	<b>FY 2004</b>
Perform data collection and analysis re: status of senior leadership at NIH.	Conduct study and report on average age, years of service, and retirement eligibility. Assess future potential impact.	
Perform data collection re: current succession planning and leadership development efforts throughout NIH.	Conduct study and report on current state. Assess strengths, weaknesses and needs for changes in current practices.	
Establish steering/oversight committee to guide policy and direction of NIH-wide succession planning efforts.	Establish Steering Committee to guide to succession planning program development.	Steering Committee meets to provide oversight and direction during pilot.
Develop succession planning framework, including the tools/resources needed to facilitate the process.	Identify industry best practices. Develop a succession planning process to meet the needs of NIH.	Develop automated tools to support succession planning processes.
Identify leadership competencies needed of NIH leaders that will drive future development efforts.	Conduct study to identify NIH leadership competencies.	Incorporate competencies into Individual Development Plan (IDP) goals for target positions.
Conduct a succession planning pilot for critical positions in		Identify potential successors for critical administrative

administrative management functions.		positions and prepare IDPs to guide their development efforts.*
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\*Note: Once potential successors have been identified, an assessment of individual strengths will need to be made based on agreed upon leadership competencies. The NIH will work closely with DHHS and the new Corporate University to provide training and development opportunities to address areas for improvement (e.g. leadership courses, SES Candidate Development Program, etc.).